~~Pres~~ Preserve

PRESERVED

#30/1/53

App. F. IX-4

192 .

File No. 160-29

Previous References (G.7.)

Serial Nos. 1-8

P.34

Later References
D.W.S1-29-1

General and Revenue Secretariat.

Serial Nos. 8

Part B for Feb 1930

SUBJECT

Opening of a Suspense Head under XXVII G.W.

No. 5411 dt 11.2.30.

To the Comptroller

pass orders re: ——

AR.

General & Revenue Secretariat. | File No. 140 of 1927.

Serial No. 2223

Reference:- Comptroller's letter No. 367/I.A.D. dated 5th October 1929 regarding the accounts of the Mysore Iron Works.

---

1 I shall be obliged for financial opinion on the points raised by the Comptroller. It is most undesirable that there should be such material differences between the Works and the Comptroller. We might hear both parties and come to a decision which we consider is reasonable and such decision should be carried out by the Works and not disputed by the Comptroller.

2 Charges like fictitious assets, overvaluation of stock, mixing up of items of divergent character and deferring of adjustments of losses actually sustained are serious in their nature and it is not right to permit the existing position of uncertainty to continue. The Concern belongs to Government but, it is in every respect a Commercial Business and the principles ordinarily adopted by such Businesses should be followed by this Concern as well.

3 I am not sure if the Concern is adopting methods open to all the objections raised by the Comptroller. In any case, it is necessary that the controversy should be closed by a decision by Government after hearing both parties.

4 I do not consider it advisable that

NOTE -- Contn. sheet

WD 589—GPB—300—27-8-29.

Serial No.

that a head called "Unadjusted loss on account of overvaluation of stock" should be opened and exhibited in Accounts before the points of difference between the Works and the Comptroller are discussed and some decision is reached regarding them. The name of the head suggests implications that there is (1) deliberate over-valuation of stock and (2) reluctance to face the loss and have it adjusted. Until the position is examined in the light of any explanation which the Works may have to offer, it is unfair to permit these implications which follow from the name of the head proposed.
I would, therefore, suggest that the difference to which the Comptroller alludes might be held in suspense without bringing it under the special head he has suggested for the purpose.

10.10.29

5 Some drafts do Comptr.
Mem of Main issues. A+B
marked in Red opposite

To comptroller
Letter to comptroller has issued - No 7C C/ Dated 10 10 29.

GEN. & REV. SEC. REGISTRY
3267
12 OCT. 29
DEVELOPMENT BRANCH

b
To The Superintendent Development Branch for
Kindly causing paragraph the papers referred at A + B
in the Paper under disposal - being put up.

11/10/29

NOTE--Contn. sheet

WD 583—GPB—300—27-8-29.

General and Revenue Secretariat | File No. 3267 MD | App. F. III—2] of 192 9

Serial No.

1 The Account &c referred to at A are received from the Comptroller from the D.W. & so may be [illegible] obtained from the Comptroller's Office. Letter No B 5 9/29 of 3.6.29 from the Compt'r does not appear to have been received in the D.W. Section - If the letter is not found in the to be H. Branch Diary also the comptroller may be requested to furnish a Copy of the letter.

Lod 29/10/29 & Moreover the refce no. & date quoted appear to be incorrect as the 3rd June 1929 must have been a holiday. (King Emperor's Birthday)

VS 29.10.29 H.Br)

9 may be sent to H. Br Secy 4/11/29

Recd 6.11.29.

10 The Development Branch says that they have not received the references A & B quoted at ~~A & B~~ in the Paper under Disposal. If approved the file will be Sent to the J. A. D Section of the Comptroller's office for putting up Copies of them 11 Ja

12 To the Asst comptroller J. A. D with compliments

Subs note

~~Forwarded with compliments~~

By order

Note—Contn. Sheet

8/11/29

WD 01684—GPB—30,000—20-4-29

General and Revenue Secretariat.

File No. 1869/GR 440 of 1929.

Serial No.

U.O.No.IAD/486 dated 7th November 1929.

13 Returned with compliments.

14 A. With regard to account statements, only one copy of the accounts is available in this office and it is being used by the Auditors of the Iron Works. If required a copy of the same will be made (1) and sent, which may take a few days.

Spare copies might be readily available in the Works.

15 B. The letter No. B 59/29 dated 3rd June 1928 to Government is not from the Comptroller but from the Board Office to the Secretary, Development Department. A copy of the extracts (Item Nos.5 and 6 (2) sent to this office is herewith enclosed.

FINANCE SECTARY
8 NOV. 1929
5583

N. Srikantiah
Assistant Comptroller.

16 4/11/29
(1) & (2) Maybe obtained and sent

MSR

8/11

17 To avoid delay a draft calling for the reference required is put up to the Secretary to the Board of management.

Subs for approval
Issue
18
9/11/29)
9.11.29

To the Secy Bd of Management Iron works
No. X 3200 dt 11.11.29.
Calls for Accounts Statements showing the result of the works for the half year ends 30-6-1929 as also a copy of letter No. B 59/29 dt 3.6.29.

NOTE—Contn. sheet.

WD 066—GPB—30,000—26-7-29

Gf No 29

Extract of paras 5 and 6 of the Review of the Financial position of the Iron works ~~sent~~ forming enclosure to letter no. BS 9/29 dt 3rd June 1929 addressed to Government in the Development Department by the Secretary to the Board of management, Mysore Iron Works -

5. Losses due to revaluation of Stocks

Another question has arisen on account of the fall in the price of pig iron and pipes since some of the stock was manufactured. It is understood that the Public Accounts Committee which met in March and April last were of opinion that the value of stock should be written down the value of stock frequently as prices fluctuate. This is done after a year or two, when the prices settle down to some extent. The Stock to be written down comprises 23,570 tons of pig iron and 4466 tons of pipes. In order to bring their value on a level with the current prices, the rates of these two products will have to be reduced by Rs 4 and Rs 20 per ton respectively - The total amount to be thus written down comes to Rs 1,83,541/-

6. It will be seen that the excess Expenditure referred to ~~in~~ in para 4 will be Rs 1,14,435/- and in para 5 the total loss due to revaluation of Stocks has been shown at Rs 1,83,541/- The total of these two figures comes to Rs 2,97,976/- as this

expenditure and losses do not pertain to the current year, it is proposed to spread it over four half years at the rate of about Rs 75,000/- commencing from the current half year, i.e. half year ending 30th June 1929. The three remaining instalments will be debited to the Revenue account in the three succeeding half years. The Board passed a resolution to this effect at their meeting held on the 29th May 1929.

True copy

H. V. Venkata Ramaiengar

7-11-29

Serial No.

From the Secy Board of Management. Mysore Iron works
Letter No B 152/29. d 13-11-29
Forward the statement of Accounts for the half year ending 30.6.1929. + Copy of letter No B 59/29 dated 3rd June 1929. Recd in previous serial

9 Full secy's orders

19 Please acknowledge receipt.

18/11/29

20 A dft acknowledging is put up. After issue the file will be resubmitted to the Secy with reference to paragraph 5 of the note

Noted 16/11/29 — 21 Issue dft up. 16/11/29

Issued No DL 3489 d 18.11.29.

22 The letter acknowledging has been issued and the file resubmitted with reference to para 5 of the note.

Subs noted 18/11/29 — 23 18.11.29 — Pl Secy

WD 01684—GPB—30,000—20-4-29

Serial No.

24 These papers relate to the exhibition of the working results of the Iron Works. While it is conceded that these results should be presented in the accounts of the Works in forms suitable to Commercial Concerns, it is necessary that there should be agreement between the books of the Comptroller's Office and those of the Concern.

25 The Comptroller's chief objections to the accounts statements received from the Works are the following:-

(1) There is a discrepancy in the Opening Balance in the Trading Account for the half year ending 30th June 1929 as compared with the Closing Balance for the previous half year. The Opening Balance is shown less by Rs 1,83,593-1-0 than the Closing Balance and there is no authority for this reduction. This item represents the loss due to the revaluation of old stock of pig iron and pipe foundry which is held over for adjustment from profits earned in future years.

(2) In the Manufacturing Account, the expenditure under 'Repairs and Maintenance' is underdebited and a sum of Rs 89,759-3-3 expended as special repairs during the shut-down of the Blast Furnace has been kept out of the Revenue Account for adjustment in future years.

(3) The above two items are clubbed and shown as 'Special Suspense' on the Assets side of the Balance Sheet And

26 There is no authority in support of these entries.

27 I think there is considerable force in these criticisms of the Comptroller. I entirely

WD 2343—GPB—500—12-3-29

Serial No.

agree with him that it is not correct accounting to take for the Opening Balance in the Trading Account of one half year a figure which is different from the Closing Balance of the previous period. Whatever adjustments were considered necessary on account of the revaluation of stock at the end of the last half year (ending June 1929) should have been passed through the books as the transactions of that half year. It is a well recognised rule in Commercial Accounting that stock should be valued at cost or at current prices whichever may be lower, and the Works have done well in revaluing the stock of pig iron and pipes in calculating the amount to be written down. The loss works to Rs 1,83,541/- Their proposal to spread the adjustment of this heavy loss over four years is, however, not unreasonable in view of the fact that the concern is not earning sufficient profits even to provide a full depreciation allowance. But, so long as this loss remains unadjusted, the Works are not justified in taking credit as profit any surplus due to revaluation of stock of materials. In this view, I am unable to understand the entry of Rs 12,213-11-5 taken as profit in the half year ended 30th June 1929 on account of surplus due to revaluation of stock of materials.

28 As regards point No. (2), the explanation offered by the Works is that during the shut-down of the Blast Furnace, opportunity was taken for overhauling the entire plant and machinery at a large outlay and as this special expenditure is necessary only once in 4 or 5 years, it ought to be

WD 2343—GPB—500—12-3-29

Serial No.

spread over that period. Accordingly, out of the special operation outlay of Rs 1,14,435/- awaiting adjustment, only one-fourth is taken into the Profit & Loss Statement of the half year ended 30th June 1929 and the balance has been held over under 'Special Suspense' for clearance in future years. This procedure of the Works cannot, I think, be justified. According to the Profit and Loss statement for the half year as prepared by the Works the net profit earned without providing for depreciation is Rs 1,15,089-4-6. When there is an item of Revenue expenditure which is outstanding in the books, there is no meaning in showing a profit in the working result of the concern for transfer to the Depreciation Fund Account. What the Works purport to transfer to the Depreciation Fund as the net profit of the Concern is really not available so long as the liability in the Revenue Account already incurred remains undischarged in the Advance Account.

29 I am in agreement with the Comptroller as regards his third criticism. The Accounts would have been clearer if the two items held over for future adjustment, viz., loss in revaluation of stock and special operation expenditure ~~be~~ had been shown separately in the Balance Sheet. As I have already pointed out, there is little justification for ~~carrying over~~ carrying forward any portion of the special operation expenditure, in the Balance Sheet ~~and increase~~ by adding to the balance in the General Depreciation Fund. The plain fact is there is no contribution to be made to the fund during this half year.

30 In my opinion, the accounts prepared by

WD 2343—GPB—500—12-3-29

Serial No.

by the Concern should be revised in the following respects:-

(1) The Opening Balance in the Trading Account should correspond with the Closing Balance of the previous half year. The special operation outlay should be fully adjusted during the half year before any amount is carried on as net profit to the Depreciation Fund.

(2) The item of Rs 12,213-11-5 taken as profit on account of surplus due to revaluation of stock should be adjusted against the loss held over in the Balance Sheet towards writing down stocks.

(3) In the Balance Sheet item No. 9 'Special Suspense' should represent only the amount of loss in the revaluation of stock which still remains to be cleared ~~over~~ after the above adjustments are effected.

3| The opinion of the Works may be obtained on the above proposals.

3 As instructed by the Member (vide his minute of 10th October 1929) the difference in the Opening Balance in the Trading Account above referred to has been shown under 'Suspense' in the Comptroller's Books pending further orders of Government. The unadjusted operation expenditure remains in the Advance Account.

(Sd- member Ind Dwn Secy) 28.4.29

32 Mg Note on points raised in letter from Engg Supdt to Pte Secy to H.H. Maybee connected

Pte Secy to H.H. 30.11.29

Engg 3.12.29 Supdt to Pl Secy Mins 1/12/29

OFFICE OF THE FIRST MEMBER OF COUNCIL 2 DEC. 1929 No. 3236.

GEN. & REV. SECRETARIATS 4673 NOV. 1929 DEVELOPMENT BRANCH

29/11

WD 2343—GPB—500—12-3-29

2037/R - Dev
3107 3267 10

App. F. III—2]

General and Revenue Secretariat — File No. 440 of 1929.

Serial No.

33 Disclaimer from I.W.D -29-S&I D No 2100 of Dev. Br. and returned to This file may be now returned to H Br

Dob 7/12 H. Br

34 The above Branch have returned this file the Joint Member's minute in the matter has been sent to Private Secy with Engineer It is for orders if this file may be closed now. and the connected statements obtained from the Dock works ordered to them—

35 Subd with draft for approval or other orders

MSeen 9/12/29 9/12/29

Sd 9.12.29

H Secy

36 The draft may issue. The file cannot be closed. A copy should accompany when the main file is finally disposed with. 24/12

Issued

37 Dev Sec Supdt Dock Br. for kindly stating in what stage the question referred to at A is —

Subd MSeen 7.1.30

38 The file referred to at A is received

Dev 10-29 S&I

Note—Contn. Sheet

GOVT. OF INDIA. SECRETARIAT. 6 JAN 1930 DEVELOPMENT BRANCH

Serial No.

From the Private Secy with a put up. The

Secy

10/1

H Br)

39 The connected file of the administrative

branch received today is put up. The first

Member's minute has after perusal by the

Private Secy to His Highness been filed. It is

for orders what reply to Comptroller should

go on his reference dt: 5.10.29.

Subd with regd to said Secy's note dated 21.12.29.

Secy

10/1/30)

at para 36.

40 Reply is invited to Member's minute dated 26.12.29

in the connected file Flag V.

A.D.

16.1.30

H Secy)

88.13

21.1.30

41 A draft reply may be prepared accdly.

16-1-30

42 Subd with draft for approval & other

papers

Secy

20/1/30)

43 If there is no objection, the Secy to the Board of management may be requested to discuss the matter in detail with the Comptroller, so that the results of the future working of the concern may be in complete accord with commercial business principles)

For orders

A.D.

21.1.30

44 Draft reply proposed accordingly for approval

H Secy)

A.D.

21.1.30

The draft reply is not suitable. The point raised by the Comptroller has to be answered in the light of the Member's minute — 21-1-30. WB Pl. keep the draft pending

SECRETARY

21 JAN. 1930

9255.

Note—Contn. Sheet

WD 01684—GPB—30,000—20-4-29

General and Revenue Secretariat — File No. 440 of 1929.

Serial No.

An amended typed draft specifically dealing with the points raised in the Comptroller's letter in the light of members' minutes is put up for consideration and approval.

A.S.
25.1.30

H Secy.)

47 Plan revise draft as indicated

L
1.2.30

48 Revised typed draft for appr

A.S.
5.2.30

H Secy.)

49 For personal discussion

(Mr. Menon) L
6/2/30

50 Mrs L
8/2/30

51 Issue
A.S.K.
10/2/30

To the Comptr

No H 5411 d 11.2.30.

States that the question of dealing with the unadjusted loss of Rs 22,000 incurred by the Iron works - may be considered with reference to the results of operation of the current year - in the circumstances explained

52 The Supdt. Dev. Dr. with Comptr for Kindly leaving the orders noted, letting back J.W. 10-29-1 and returning file for record here

A.S.K.
12/2/30.

12.2.30

INCL. L. & REV. SECT.
12 FEB

Note—Contn. Sheet.

WD 066—GPB—30,000—26-7-29

9037/30 8/2 13

App. F. III—2]

General and Revenue Secretariat

File No. 140 of 1929.

Serial No.	
3	Subs. If appr a copy of letter No 7E/5211/29 4-2-30 issued from 7E Deptt will be kept for reference here. Sd/- 17/2 54 Yes Engg 14.1.7
5	Copy letter + file ref. Iw collection 10-2981 also Sd/- retained. 17/2 H. Br)
	This will now be closed

VB 18.7.30

Note—Contn. Sheet

WD 066—GPB—30,000—26-7-29

FIRST MEMBER OF COUNCIL
9 OCT. 1929
No. 2223

G.2 1140 29.1

C. O. 42. GI.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. 367 IAD

Bangalore, dated 5th October 1929.

FINANCIAL SEC.
8 OCT. 1929
No

1867/2C
6.4.29

From

S. SHAMANNA, Esq., B.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

To

B. Srinivasa Iyengar, Esq., B.A., B.L.,
Secretary to the Government of Mysore,
Financial Department, Bangalore.

C 5/1
2

Sir,

I have the honor to state that the working results of the Mysore Iron Works, Bhadravathi, are being booked in this office as they are shown in the accounts statements (A) received from the Works and there will be thus agreement between the books of this office and the concern. The result of the working for the half year ended 30th June 1929 is shown to be a profit of Rs.1,15,089-4-6 and is arrived at by taking an opening balance of Rs.18,25,821-5-0 as against the closing balance of Rs.20,09,414-6-0 of the previous half year and by showing a fictitious asset under 'Special Suspense' of a sum of Rs.1,37,694-12-9, balance of loss due to overvaluation of closing stock as on 31st December 1928 proposed to be adjusted out of future profits in three half years as reported to Government in letter (B) No.B.59/29 dated 3rd June 1929. This result could not, however, be incorporated in the books of this office in the condition in which they were received for the following reasons:-

(i) In the Trading Account for the period ended 30th June 1929, the opening balance on 1st January 1929 has been shown less by Rs.1,83,593-1-0 than the closing balance for the previous half year. This difference represents the loss due to overvaluation of Pig Iron and Pipe Foundry Stock.

(ii) It is not correct to take for the opening balance a different figure from the closing balance of the previous period.

(iii) As has been pointed out in almost all Audit Reports on the accounts of the works, it is not correct accounting to overvalue stock and the proposed adjustment of such an overvaluation over an extended period, is not also correct and requires the sanction of Government.

IMMEDIATE.

O.72-2. 1/G.7

Camp Mysore

10th October 1929

G.2 40.29.2

Dear Mr. Shamanna,

Please refer to your letter No.367 I.A.D. dated 5th October 1929 in regard to the booking in your office of the working results of the Bhadravati Iron Works. The questions raised in your letter are being examined and until some decision is reached regarding the points of difference between the Works and the Audit Office, Government do not consider it advisable that a new head called " Unadjusted loss on account of overvaluation of stock" should be opened and exhibited in accounts. The difference between the previous closing balance and the opening balance alluded to in your letter might in the meantime be held in suspense without bringing it under the special head suggested.

Yours sincerely,

for Dewan

To

S. Shamanna, Esq., B.A.,

Comptroller to the Government of Mysore,

(Camp) MYSORE.

C 2872 Fe

A 20.10.29

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF MYSORE.

D. O. No. 42 /C.Spl. Camp, Mysore,

Bangalore, dated 19th October 1929

FINANCIAL SECRETARY 19 OCT. 1929

Dear Mr. Srinivasa Iyengar,

Your D.O.No.Fl.C.1/G.F. Camp, Mysore, dated 10th October 1929:-

I have accordingly changed the nomenclature of the proposed head "Unadjusted loss on account of Over valuation of Stock" to "Suspense".

Yours sincerely,

S. Shanmukha

To

Rajasevaparayana,

B. Srinivasa Iyengar, Esq., B.A.,B.L.,
Financial Secretary to Government,
Camp, Mysore.

G. R. S. III—3]

G7140.49-3

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

The previous mail file was referred to the Development Branch for putting up the papers required by the Secy on 11.10.29. The papers have not been received back. This will be forwarded to them for sending them back soon.

N. B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

C.S. 12/11

GEN. & REV. SECRETARIAT
26 OCT.
DEVELOPMENT BRANCH.

Yes.
25/10/29

Vide note in hand

Appendix F G—1

SUBJECT.....

.....

.....

Section G 7

File No. 40 · 4

Serial No. 4

No. H3200/

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the 192

To

The Secretary to the Board of Management Mysore Ironworks Bhadravati.

Date of issue 11.11.29

Signed by M A R R

Sir,

I am directed to request you to be so good as to forward for reference, return the Accounts Statements showing the result of the works for the half year ended 30th June 1929 as also a copy of your letter No B 59/29 dated 3rd June 1929 :-

List of enclosures.....

Copied by.....

Examined by.....

Yours obt
A.R.
9.11.29
for Secy -

over

THE MYSORE IRON WORKS

G.7140.29.5 — 2037/2e. 15.11.29.

Telegraphic Address:
"MYSIRON", BHADRAVATI
(MYSORE RYS.)
Codes:
BENTLEYS
Western Union Five Letter
A.B.C. 6th Edition

Bhadravati (India)

Ref. No. B 152 /29

13th November 1929.

Rajasevaparayana
B.Srinivasa Iyengar, Esq., B.A., B.L.,
Financial Secretary to the Government
of His Highness the Maharaja of Mysore,
BANGALORE.

Dear Sir,

As desired in your letter No.F/3200 of the 11th instant, I beg to forward herewith the following statements relating to the operation of the Bhadravati Iron Works for the half year ended 30th June 1929:

1. Manufacturing & Trading Account.
2. Profit & Loss Account.
& 3. Balance Sheet as on 30-6-1929.

A copy of this Office letter No.B.59/29 dated 3rd June 1929, addressed to the Secretary to Government, - Development Department, along with its enclosure is also enclosed.

The statements may kindly be returned when they

they are no longer needed as separate copies are not kept here.

Yours faithfully,

M. Viraraja Urs

Secretary,
Board of Management.

Encs:3 Statements & 1 copy of letter No. B.59/29 with enclosure.

THE MYSORE IRON WORKS, BHADRAVATI

No.B.59/29 3rd June, 1929.

N.Rama Rao, Esq., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore,
Development Departments,
Bangalore.

Dear Sir,

I beg to submit herewith for the information of Government a review of the financial position of the Works as on 30th April 1929, together with an extract from the minutes of the Proceedings of the Board Meeting held on 29th May 1929. This has reference to the application made for a loan of Rs5 lakhs in this Office letter No.B.34/29 dated the 12th April 1929.

Yours faithfully,

Sd/- M.Viraraja Urs,

Secretary,
Board of Management.

"Copy"

BHADRAVATI IRON WORKS.

Financial Position on 30th April 1929.

The Board reviewed the financial position of the Works at their meeting held on 29th May 1929. The following is a summary of the review.

Working Advance Position: The effective Working Advance held by the Works on the 30th April was R$31.71 lakhs of which a sum of R$31.15 lakhs was in the form of products, materials and supplies as detailed below:

Pig Iron. ...	R$13.00 lakhs.
Pipes. ...	R$ 6.80 "
Raw Materials...	R$ 5.73 "
Stores. ...	R$ 4.38 "
Selling expenses, and packages.	R$ 1.24 "
	R$31.15 lakhs.

This leaves, out of the Working Advance, a cash balance of about R$56,000/- only for current payments, advances, etc.

2. The present limit of working advance was fixed as early as June 1926. Since then, a Pipe Foundry and an Alcohol Refinery have come into existence.

Necessity for an increased Working Advance.

In connection with the Pipe Foundry a stock of pipes of various sizes costing about R$3 lakhs has to be maintained to meet the requirements of the market. The Blast Furnace has been enlarged and production from it has increased by

by about Rs500 per diem. To meet these requirements, an additional Working Advance was necessary but it was not asked for till now because the Management were hoping that the market conditions would improve and enable them to dispose of some of the stocks.

3. Simultaneously with the growth of production, the sales during the current year have been unsatisfactory ----------) and there has been in consequence Sales unsatisfactory.) ----------) an addition to the stock of products of the value of Rs1.10 lakhs. The several railways suddenly ceased to purchase pig iron from the Works, chiefly due, it is believed, to a commercial combine which came into existence between the three manufacturers of pig iron on the Bengal side. The pipes also did not sell readily on account of the sudden lowering of prices due to dumping by Continental manufacturers of that product. On account of all these disadvantages, the sales were unsatisfactory, the amount locked up in pipes alone being Rs6.80 lakhs. The conditions are however improving. Within recent months the railway have begun to take our pig iron. The Railway Board have also promised to look into the matter. If normal market conditions are restored, the Management hope to reduce the stocks and even the Working Advance.

On account of these causes and also the depressed trade position, it has been necessary to apply to Government

for a temporary advance of Rs.5 lakhs.

4. The plant was shut down during the first 2½ months of the current year for enlargement and relining of the Blast Furnace. Opportunity was taken of this shut down for overhauling the entire plant and machinery, which also entailed a large outlay.

Special Operation Expenditure.

The normal yearly expenditure on ordinary repairs is about Rs.1,22,000. For the ten months of the current year during which the plant will be in operation, the normal outlay on repairs would be about Rs.1 lakh. But on account of the special repairs mentioned above, an outlay of Rs.1,89,531 was incurred during the shut down period. Thus the total amount spent on repairs alone in the current year will aggregate Rs.2,89,531. A part of the excess expenditure, viz., Rs.1,89,531 has been met by the Blast Furnace Relining Fund to the extent of Rs.75,096. This leaves a special operation outlay of Rs.1,14,435/- which is unprovided for. As this special expenditure is necessary only once in 4 or 5 years, it ought in the usual course to be spread over that period.

5. Another question has arisen on account of the fall in the prices of pig iron and pipes since some

Losses due to revaluation of stocks.

of the stock was manufactured. It is understood that the Public Accounts Committee which met in March and April last were of opinion that the value of stock should be written down so as to accord with current prices. It is not usual to write down the value of stock frequently as prices fluctuate. This is done after a year or two, when the prices settle down to some extent. The stock to be written down comprises 23,570 tons of pig iron and 4,466 tons of pipes. In order to bring their value on a level with the current prices, the rates of these two products will have to be reduced by R$4 and R$20 per ton respectively. The total amount to be thus written down comes to R$1,83,541.

6. It will be seen that the excess expenditure referred to in para 4 will be R$1,14,435 and in para 5 of the total loss due to revaluation of stocks has been shown at - R$1,83,541. The total of these two figures comes to R$2,97,976. As this expenditure and losses do not pertain to the current year, it is proposed to spread it over four half years at the rate of about R$75,000 commencing from the current half year, i.e., half year ending 30th June 1929. The three remaining instalments will be debited to the revenue account in the three succeeding half years. The Board passed a resolution to this effect at their meeting held on the 29th May 1929.

7. With reference to paragraph 3 above, an application was made to Government in the Board's letter No. B.34/29 dated the 12th April 1929 for a temporary accommodation of Rs5 lakhs in order to strengthen the cash position of the Works. The sanction of the Government is awaited.

8. The increase of stocks is chiefly due to the disinclination of the Management to sell at very low prices but every effort is being made to dispose of some of the stock even at a small loss. The circumstances of the current year are exceptional as already explained. Conditions have begun to improve already and if the improvement is kept up. the Board not only hope to repay this temporary advance but they also contemplate a reduction in the permanent Working Advance at no distant date.

(Sd). M.Viraraja Urs.

Secretary,
Board of Management.

Bhadravati,
3rd June '29.

"C
O
P
Y".

THE MYSORE IRON WORKS, BHADRAVATI

Extract from the minutes of the Proceedings of the Board meeting held on the 29th May 1929.

" *Read Note from the General Manager stating that the net excess expenditure incurred on the relining of the Furnace and the special repair programme carried out during the shut down period was Rs. 1,14,531. and that the losses due to the re-valuation of old stock of pig iron and pipes as per statement enclosed came to Rs. 1,83,541, thus making a total of Rs. 2.98 lakhs, to be adjusted out of the operation surplus. As the expenditure incurred during the shut down period was in some respects extraordinary and the losses due to the re-valuation has resulted from previous year transactions due to change in market conditions, the above amount of Rs. 2.98 lakhs may be adjusted against surplus revenues in four half yearly instalments, commencing from the half year ending 30th June 1929.*

The Board agreed to the General Manager's proposal and desired that the situation and arrangements approved should be reported for the information of Government. "

SECRETARY
BOARD OF MANAGEMENT.

"COPY"

Appendix F G—1

SUBJECT.....

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Section G 7

File No. 40/29

Serial No. b

No. H3489/

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *192*

To

.....The Secretary Board of Management

Ujoore Iron Works

Bhadravati

Date of issue.....18-11-29.....

Signed by .....M.A.N.R.....

Sir,

I am directed to acknowledge with thanks the receipt of the Statements relating to the operation of the Bhadravati Iron Work for the half-year ended 30.6.1929 and ten copy of letter no B 59/29 dated 3rd. June 1929 forwarded with your letter no B 152/29 dated 13.11.1929

Manager

st of enclosures.....

Copied by..... 18/11

Examined by.....

over

WD 0399—GPB—20,000—18-9-28

Appendix F G—1

SUBJECT.....

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Section G 7

File No. 440.29

Serial No. 7

No. 7C4 8355 Secs

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *192*

Date of issue 24/11/29

Signed by Sri T.R. Rajeswaran

To

The Secy Bd of Management

Mysore Iron Works

Bhadravati

Sir,

I am directed to return herewith the following Statements relating to the Operation of the Bhadravati Iron works for the Half year ended 30.6.29 received together with your letter No. B 1552 dt. 18 11/29

1) Manufacturing & Trading Account

2) Profit & Loss Account

3) Balance Sheet as on 30 6 29

List of enclosures.....

Copied by.....

Examined by.....

I have etc

over

G.F. 140. 328

No. Fl.*

Bangalore, dated the February 1930.

Fl54/11 dd 11/2/30

To

The Comptroller to Government,

BANGALORE.

Sir,

With reference to correspondence ending with your D.O. No. 42/C.Spl. dated the 19th October 1929 regarding the opening of a suspense head under XXVII Iron Works, I am directed to state as follows:-

1. The expenditure on Special Repairs referred to was that incurred in the period of the shut down when there was no production. This expenditure was an item of revenue outlay and it was uncovered by any out-turn and it therefore represented so much of loss. -- The deficiency in the value of stocks due to decline in their prices was also an item of loss. The effect, therefore, of both these items on the Revenue Account was the same -- and it is in this view that the two items were clubbed together and their total taken as the amount to be written off.

2. The result of working in any period -- whatever the factors which contribute to it, should be considered as one. It can either be a loss or a profit and not partly a loss and partly a profit. In this view, the -- result for the year 1928-29 was a loss of Rs. 1,12,000. There was no sum to be added to the Depreciation Fund and the credit of Rs. 1,15,000 afforded to this Fund cannot be supported.

3 The general rule for valuation of stocks is to take them at cost of production or at market rate, whichever is lower. This is, no doubt, the safest principle to follow. In practice, however, stocks of finished goods are valued not with reference to cost of production but to market value and care is taken to see that the valuation is at or under market value. ~~This is the method adopted by the other similar Concerns in India.~~

Taking the present position, there is no over-valuation of the stock of either pig iron or pipes. The situation will, however alter if there is a further falling off in the prices of these articles.

4 The accounts for the year 1928/29 have ~~now~~ been finally closed and it is not possible to make any modification in them. How the unadjusted loss of Rs. 2,27,000 should be dealt with, may be considered with reference to the results of operation of the current year.

I have the honor to be,

S i r,

Your most obedient servant,

FINANCIAL SECY. TO GOVERNMENT.

E.W.M.